



**North Carolina Department of Health and Human Services  
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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Michael F. Easley, Governor  
Dempsey Benton, Secretary

Michael Moseley, Director

September 6, 2007

**MEMORANDUM**

TO: LME Directors

FROM: Phillip Hoffman, Chief *Phillip Hoffman*  
Resource and Regulatory Management Section  
DMHDDSAS

Laketha M. Miller, Controller *Laketha M. Miller*  
DHHS Office of the Controller

RE: Revised Monthly LME Report of Expenditures Form and Instructions  
Effective for Actual LME Expenditures Reported Beginning July 1, 2007

The purpose of this communication is to provide updated instructions related to the monthly reporting of LME Systems Management expenditures. Previous information was provided in the March 30, 2006, memorandum to Area Directors from Phillip Hoffman and Laketha M. Miller. For ease of reference, this current communication contains the same reporting requirements as previously communicated in March 2006, along with the change described herein. The change incorporated into this communication relates to the maximum amount of allowable salary and related fringe which may be reported on the Monthly LME Report of Expenditures.

**Summary of Change:** Other than salaries for Doctors of Medicine and Doctors of Osteopathic Medicine who are performing duties which require the utilization of their medical training and licensure, the Division will not participate in the payment of that portion of salary, including the porata portion of fringe benefits, which is above the salary for Level I on the Executive Schedule as published by the United States Office of Personnel Management, which can be accessed at no cost at: <http://www.opm.gov/oca/07tables/html/ex.asp> As of January 2007, the current maximum amount referenced herein is \$186,600. This limitation applies to individuals employed by the LME or individuals whose services are contract for by the LME.

**Modification of Reporting Requirements Related to this Change:** As noted above, this change is effective for LME Systems Management (LME SM) expenditures made on or after July 1, 2007.

1. If an LME has already reported such non-allowable cost on their July 2007 Monthly LME Report of Expenditures, the LME will need to submit a revised July 2007 report. If an LME has already reported expenditures for the month of July 2007 and did not have any salary amount herein considered unallowable, the LME does NOT have to submit a revised expenditure report.
2. Cost for such individuals whose salary may exceed the above noted maximum will still continue to be reported in the appropriation portion of the Monthly LME Report of Expenditures; however, the amount to be reported is limited to the stated maximum. For example, if an individual makes



- 20% more than the maximum allowed (currently \$186,600), only the amount up the maximum allowed, plus the prorate share of fringe benefits, shall be reported as allowable. In this example, 20% of salary and fringe benefits would be considered unallowable for reporting purposes.
3. Since the Monthly LME Report of Expenditures is the document utilized by the Division and DHHS Controller's Office to report allowable LME SM expenditures for the purpose of earning Medicaid administrative funds, the unallowable cost, as noted in item 2 above, are not to be included. In order for the Division to track payments and report the amount of unallowable expenditures made by LMEs for systems management activities, LMEs shall report salary information on the attached "LME Systems Management Supplemental Salary Schedule" as noted in item 4 immediately below.
  4. LME Systems Management Supplemental Salary Schedule: Information reported on this supplemental schedule is limited to positions (employees or contractors) paid above the maximum noted above for individuals other than Doctors of Medicine and Doctors of Osteopathic Medicine as set forth in the "Summary of Change" paragraph above. On the "LME Systems Management Supplemental Salary Schedule", report the total salary (allowable and unallowable portion) which are required to be reported herein. This form is to be completed by every LME each month to either report the required information or to enter "None" if there are no such cost to report.
  5. Accompanying this communication is an Excel file which contains the current reporting form and instructions, as well as the new LME Systems Management Supplemental Salary Schedule and instructions.

LMEs are to begin utilizing the attached revised reporting form and instructions effective with the submission of actual cost being reported for the month of July 2007.

The balance of this memorandum is the same as previously distributed on March 30, 2006, with the exception of omitting the earlier information regarding a retroactive review of Monthly LME Report of Expenditures. This retroactive review was completed over a year ago and does not require repeating herein.

Based on lessons learned in the reporting of allowable monthly cost, including the categorization of positions and cost as Skilled Professional Medical Personnel (SPMP), these revised instructions for reporting LME systems management expenditures are necessary to ensure accurate reporting. A portion of the lessons learned involve directions and suggestions from CMS staff following their site reviews at a number of LMEs.

Included herein, as an attachment to this communication, is the revised Monthly LME Report of Expenditures form. This communication will be posted on the public web pages for both the DHHS Controller's Office and DMHDDSAS. Instructions for reporting LME systems management expenditures are set forth below. The attached revised Monthly LME Report of Expenditures form contains a downloadable blank reporting schedule, an example tab and a tab with instructions for completing the form. The attached instructions are to be utilized in conjunction with this transmittal memo in determining which LME cost should be reported and how they are to be reported. Additionally, the reporting and documentation of cost must be accomplished in accordance with OMB Circular No. A-87, "Cost Principles for State, Local and Indian Tribal Governments."

#### **Part 1: Total Expenditures for Claims Processing, Less Purchase of Equipment or Other Depreciable Assets:**

Expenditures reported under Part 1 are those costs associated with processing claims that flow through an LME. Costs reported are inclusive of staff salary and fringe benefits along with general and administrative expenses. Activities include:

- comparing claims to authorizations;
- verifying collections of 1<sup>st</sup> and 3<sup>rd</sup> party payments;
- verifying rates;
- processing claims through LME software to IPRS or MMIS;
- paying claims to contractors;



## **Part 2: Salary & Fringe Benefits Cost of Skilled Professional Medical Personnel and Direct Support Staff**

Expenditures reported in Part 2 include Salary and Fringe Benefits cost of SPMPs performing specific functions noted below. In addition to SPMPs, salary and fringe benefits for support staff who directly support the qualifying SPMPs are also to be reported in Part 2.

For an SPMP, and their related salary/fringe, to be reported within Part 2, the SPMP must meet the following criteria:

- a. The functions performed by the SPMP must be (i) Access, Screening, Triage & Referral, (ii) Provider Relations and Support, (iii) Service Management, or (iv) Customer Services. Not only must the SPMP perform these functions, the LME must ensure that the individual's job description require the SPMP to perform one or more of these functions. Additionally, the SPMPs must be performing functions which require a SPMP. For example, an M.D. performing Service Management functions would be reported in Part 2, however, an M.D. serving as the LME CEO would be reported in Part 3 since general LME governance is not one of the four functions noted above utilizing an SPMP.
- b. The SPMP must also qualify as a SPMP in accordance with 42 CFR 432.50(d)(ii) which states, "The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. 'Professional education and training' means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession. This is demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization. Experience in the administration, direction, or implementation of the Medicaid program is not considered the equivalent of professional training in a field of medical care."
- c. If the LME contracts for SPMP staff to perform the functions set forth in a. above, these contracted cost are to be reported within Part 2 provided (i) the contracted staff are performing functions as set forth in Part 2, item a. above, (ii) the contracted SPMP staff meet the staff qualifications set forth in Part 2, item b. above, and (iii) the contract is with another public agency and clearly documents that the public agency is performing these functions with qualified SPMP staff on behalf of the LME. If such a contract is with an individual or a private agency, the cost must be reported within Part 3 of the monthly LME expenditure report.

To assist LMEs in determining which staff qualify as an SPMP, the accompanying instructions (refer to instructions for Part 2, Column 2) provides a listing of the categories of positions which qualify as SPMPs, provided they also meet the criteria set forth in items a. and c. above. As questions about SPMPs arise and are resolved, additional guidance and interpretations on this topic will be shared with all LMEs as they are developed. Questions concerning qualifying SPMPs should be directed to: Mary Tripp, DMHDDSAS Accountability Team, at [Mary.Tripp@ncmail.net](mailto:Mary.Tripp@ncmail.net) or via phone at 919-881-2446.

Directly Supporting Staff are defined in 42 CFR 432.50(d)(iv), as, "The directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities and functions of the skilled professional medical staff. **The skilled professional medical staff must directly supervise the supporting staff and the performance of the supporting staff's work** (emphasis added)." Contracted support staff may also be included in Part 2 of the form provided the contracted staff directly support an eligible SPMP and are directly supervised by the SPMP. In the case of contracted clerical support staff, such contracts are not limited to those with other public agencies and may include contracts with individuals and private agencies as well. If these criteria are not met for "supporting staff", cost must be reported in Part 3.

## **Part 3: All Other Expenditures, Less Purchase of Equipment or Other Depreciable Assets and Indirect Cost:**

Included in this category are all other allowable expenditures to carry out the LME functions not otherwise reported in Parts 1, 2 and 4.



Examples of All Other Expenditures that should be included in Part 3 are miscellaneous costs incurred as a result of Systems Management activities such as accreditation cost, audit expenses, legal expenses, LME governance, local Consumer and Family Advisory Committee cost, training cost, consultant charges, LAN/WAN cost, lease/rent/mortgage cost, staff travel, printing consumer brochures, supplies, and other LME staff cost not eligible to be reported in Parts 1 or 2 of the form, etc.

#### **Part 4: Monthly Depreciation and Monthly Indirect Cost:**

Each LME must maintain a schedule reflecting asset depreciation for assets directly associated with the performance of LME systems management functions. Examples of depreciation may include equipment, software cost, cost of purchase or construction of buildings and building renovations, etc. For indirect cost, such reported cost must be supported by an indirect cost plan for the LME or an indirect cost plan that reflects the amount of cost allocated to the LME from the county or counties which comprise the LME's catchment area. The portion of indirect cost reported on the expenditure report is limited to that portion of overall LME indirect cost associated with LME systems management functions. Any portion of indirect cost applicable to LME service delivery is not to be reported on the Monthly LME Report of Expenditures form. If indirect cost are reported, the LME and counties must maintain a copy of the indirect cost plan, and support documentation, for audit purposes.

The "Monthly LME Report of Expenditures" must be submitted by the 15th calendar day following the end of the previous month. For example, July's expenditure report would be due August 15, August's expenditure report would be due September 15. In order to review and record the appropriate Medicaid expenditures, the "Monthly LME Report of Expenditures", certified by the LME's Finance Officer, is to be sent to:

Jay Dixon  
DHHS Office of the Controller  
2019 Mail Service Center  
Raleigh, NC 27699-2019

Also, electronic copies should be submitted to [Jay.Dixon@ncmail.net](mailto:Jay.Dixon@ncmail.net) and [Kristi.Hickman@ncmail.net](mailto:Kristi.Hickman@ncmail.net)

Payment for LME systems management expenditures will not be made until the signed Monthly LME Report of Expenditures form has been received by the DHHS Office of the Controller.

Should you have general questions concerning this communication, please contact Wanda Mitchell by phone at (919) 733-7013 or via e-mail at [Wanda.Mitchell@ncmail.net](mailto:Wanda.Mitchell@ncmail.net) Questions associated with qualifying SPMPs should be addressed to Mary Tripp as noted above.

PH/LMM/pdh

Attachment: Reporting Forms and Instructions

cc: Secretary Dempsey Benton	Kaye Holder
Dan Stewart	Debbie Crane
DMH/DD/SAS Executive Leadership Team	Mark Van Sciver
DMH/DD/SAS Management Leadership Team	Brad Deen
State Facility Directors	Curtis Crouch
Yvonne Copeland	Bob Duke
Patrice Roesler	Jay Dixon
MH Commission Chair	Mark Benton
The Coalition	Roger Barnes
SCFAC Chair	LME Finance Officers
Sharnese Ransome	Vince Stephens, CMS
Kory Goldsmith	Donald Graves, CMS
Andrea Poole	







Report Month/Year: March 2006

I certify that the above accounting represents the true cost as reflected in the official accounting records of the agencies for the time period covered by this report. I further certify that the expenses reported for Skilled Professional Medical Personnel (SPMP) represent only the portion of their time and cost which require the service of an SPMP and the agency has on file documentation of each SPMP's functions and documentation that each reported SPMP meets the qualifications of an SPMP. The data in this report is supported by timesheets and other auditable documentation. Positions or FTEs reported as contracted have signed contracts on file between the LME and the contracted agency or individual.

Signature LME Finance Officer:

Date:

Phone:

- Header:** Enter name of reporting LME and the month and year of the expenditures/cost being reported.
- Part 1:** Enter total expenditures for Claims Processing, less purchase of equipment and depreciable assets associated with Claims Processing.
- Part 2:** SPMP cost and their direct clerical support staff cost. Cost for SPMPs and clerical support in Part 2 are limited to salary and fringe only. Other cost for these staff such as travel, supplies, etc., must be listed in Part 3.
- Column 1:**
- Enter the name of each qualifying SPMP.
  - For clerical support, enter the FTE count of clerical and contracted clerical support staff which directly support the SPMPs listed on the report. Example, if there are 3 full-time clerical support positions which support the reported SPMPs and each clerical support position spends 20% of their time in these functions, the FTE count would be .60 (3 positions x 20% = .60 FTE).  
The same FTE reporting example applies for clerical support staff which may be contracted.
- Column 2:** Enter the appropriate acronym for the SPMP position category from the list below. If you have questions about reporting an SPMP not listed below, please contact Mary Tripp at 919-881-2446 or via e-mail at [Mary.Tripp@ncmail.net](mailto:Mary.Tripp@ncmail.net)
- |                            |  |  |
|----------------------------|--|--|
| MD = M.D. or D.O.          | LPA = Licensed Psychological Associate         | LCSW = Licensed Clinical Social Worker                       |
| PE = Physician Extender*   | LPC = Licensed Professional Counselor          | P-LCSW = Provisional Licensed Clinical Social Worker         |
| NR = Nurse**               | LCAS = Licensed Clinical Addictions Specialist | *PE includes Physician Asst. & Nurse Practitioner            |
| LP = Licensed Psychologist | CCS = Certified Clinical Supervisor            | ** NR = RNs, Psy. Nurse Practitioner & Certified Nurse Spec. |
- Column 3:**
- SPMPs:**  
Indicate whether the SPMP reported is an Employee (E) or a Contractor (C). If reported as a contractor, the LME must have a current contract on file with another public agency for the services of the contracted SPMP.
  - Clerical Support:**  
The term "Support" has been pre-entered on the form to indicate the position category is clerical support.
- Column 4:** For SPMP positions, indicate the LME function performed from the following list. More than one function may be listed for an SPMP if they perform multiple functions which are reportable in Part 2.
- A = Access, Screening, Triage and Referral  
P = Provider Relations and Support  
S = Service Management  
C = Customer Services
- For clerical support, the term "Clerical" has been pre-entered.
- Column 5:** Indicate whether a current job description or contract is on file for allowable LME functions requiring an SPMP:
- For SPMPs:**
    - Enter Yes if such a job description is on file. If No, cost must be reported in Part 3 and NOT in Part 2.
    - For contracted SPMPs, enter Yes to indicate whether the scope of work within the contract sets forth the allowable functions (those indicated in Column 4 above) the SPMP will perform on behalf of the LME. If No, cost must be reported in Part 3 and NOT in Part 2.
  - For Clerical Support:**
    - Enter Yes if such a job description is on file. If No, cost must be reported in Part 3 and NOT in Part 2.
    - For contracted clerical support, enter Yes to indicate if the scope of work in the contract sets forth the clerical duties. If No, cost must be reported in Part 3 and NOT in Part 2.
- Column 6:** For SPMPs only: Indicate if the individual's status as an SPMP has been verified by entering Yes. If the answer is No, the cost must be included in Part 3 rather than Part 2. This applies to both SPMP employees and contracted SPMPs.
- Column 7:**
- SPMPs:** Enter the percent of time the individual performed functions reported in Column 4.
  - Clerical Support:** No entry is necessary; this is accounted for in determining the reportable FTEs in Column 1.
- Column 8:** Enter the total reportable monthly cost for the respective lines as outlined on the report. For cost associated with SPMPs and clerical support for the SPMPs, cost are limited on to the cost of salary and fringe benefits associated with the employee or contractor.
- Part 3:** With the exception of Monthly Depreciation and Monthly Indirect Cost, enter all other allowable monthly LME systems management cost not otherwise reported in Parts 1 and 2.
- Part 4:** Enter the monthly expenditures/costs associated with Depreciation and Indirect Cost.
- Signature:** Read the certification statement. Form is to be signed by the Finance Officer and dated, and the phone number included.
- Also, the LME Systems Management Supplemental Salary Schedule must be completed and accompany LME Monthly Report of Expenditures form